

Budget Address

**Building on the Province's Plan for Change
that Makes Life Better for Families**

for the fiscal year 2011–2012

The Honourable Graham Steele

Minister of Finance





Making Life Better for Families

It is my pleasure to present Nova Scotia's budget for the fiscal year 2011–12.

This budget builds on the province's plan for change, that makes life better for families.

It shows real progress on the road back to balance, which is the result of a good plan and sustained discipline.

Nova Scotians will notice a real improvement in how the province's finances are managed, how important public services are delivered, and how we support and grow our economy.

When this government came to office in 2009, the province was on an unsustainable financial path, facing a deficit of \$1.4 billion and a debt of \$16 billion in three years—if nothing changed.

That's why, last year, I embarked upon the most extensive financial consultation in the province's history.

And the consensus that came out of that consultation formed the backbone of the four-year "Back to Balance" plan that we laid out in last year's budget.

In last year's budget speech, I said the following:

"Our plan stretches well beyond this budget. Our approach will be smart, strategic and steady. As promised, it will ensure that government lives within its means and focuses on the programs and services important to Nova Scotians."

I continued by saying:

"Our plan has four key components. First, our government will bring better health care to you and your family. Second, we will

Smart
Strategic
Steady



Living within our means

create secure jobs and grow the economy. Third, we will make life more affordable. Fourth, we will get Nova Scotia back to balance and ensure that government lives within its means.”

Those words are as true today as they were when I first said them, one year ago tomorrow, as we laid out our “Back to Balance” plan.

Recently, I completed another pre-budget consultation tour. It touched down in every region of the province. Although not quite as extensive as last year’s Back to Balance consultation tour, it was still far more extensive than any pre-budget consultation tour undertaken by any Minister of Finance from the other parties.

From one end of the province to the other, the message was the same, overwhelmingly: “Stick to the plan.” And so that is exactly what we are doing in this budget.

One key component of the “Back to Balance” consensus is to balance the books in 2013. Any faster, and important public services like health and education would be threatened. Any slower, and the province’s finances would continue to deteriorate, which is itself a threat to those same public services.

On track

I am pleased to say that this budget confirms that we are on track to balance the budget in 2013.

Another key component of the “Back to Balance” consensus is that there needs to be both increases in revenue and spending restraint, but with a significantly larger emphasis on restraint. So for every \$1 in new revenue, we are committed to finding between \$3 and \$4 in restraint.

I am pleased to say that this budget confirms that we are on track to reach that target, too.

There are some who suggest quick, deep cuts in public services. Others say there's no real problem, and that spending should continue. Others agree there's a problem, but can't or won't provide meaningful alternatives.

Nova Scotians overwhelmingly reject each of these unsustainable paths, and we agree with them.

In this budget, we are taking the best path. The measures incorporated in this budget are thoughtful, reasonable, prudent, and measured.

There was another message that I heard clearly during my most recent consultation tour. And that is that every program, every community, has unique opportunities and challenges.

In communities across the province, from Sydney to Yarmouth, from Amherst to Guysborough, from Port Hawkesbury to Bridgewater and from Antigonish to Kentville, from the capital city to the smallest town, Nova Scotians have asked that the uniqueness of their communities be recognized that is what we have done in this budget by rejecting quick slashing, one-size-fits-all solutions, and across-the-board cuts.

Dans les communautés de la province, de la Baie Sainte-Marie à l'Isle Madame, de Chéticamp à Argyle et de Pomquet à Sydney, de la ville capitale au plus petit village, les Néo-Écossais ont demandé que le caractère unique de leur communautés soit reconnu en rejetant les solutions rapides et uniformisées et les coupures généralisées. Et c'est ce que nous avons fait dans ce budget. Nous reconnaissons le caractère unique de nos communautés acadiennes et francophones.

To give just one example, this budget protects funding for community museums and public libraries that are so important to communities in every corner of the province.



Steady discipline

The budget slashers say we're not moving fast enough. And we say "So be it." Because when we're dealing with educating our children, or prescription drugs for seniors, or support for the poor and disabled, or where and when primary health care is being delivered, we have an obligation to take the time to get it right. And that is what we're doing.

The steady discipline we've brought to the job is working.

When I delivered last year's budget, I forecast a deficit for 2010–11 of \$222.1 million.

I am pleased to inform the House that we are now forecasting a surplus of \$447.2 million for 2010–11. Nova Scotia's books for the just-finished fiscal year will be written not in red ink, but in black.

Last year's surplus is partly due to higher than expected adjustments to our revenues. But it is also partly due to good management and sustained discipline.

In fact, for the second year in a row, total spending is coming in under budget. This is a significant achievement. It's the first time in 23 years that Nova Scotia has witnessed back-to-back underspending of the budget.

This discipline on our part is in contrast to the previous government. For too long, an unexpected surplus would spur a spending spree. Three years ago, the previous government spent \$408 million in additional appropriations, or put another way, \$408 million in unbudgeted spending. For the past ten years, the average end-of-year spending was \$277 million. It was March madness at its worst.

We choose a different path, a more sustainable path. The surplus for 2010–11 is large enough to allow our government to reduce

the provincial net debt by \$37.8 million. This will mark only the seventh time in the past 50 years that Nova Scotia's net direct debt will have gone down. Our debt-to-GDP ratio, which is a widely-used measure of financial health, will drop from the 39.6% estimated last year to 36.6%. At the end of 2014-15, if we stick to our plan, the debt-to-GDP ratio will actually be lower than it was when we came into office, despite the financial mess the previous government left behind.

Because of the steady hand this government has brought to the province's finances, our net direct debt is almost \$1 billion less than forecast last year.

Gratifying as these results are, it is important to understand that this year's surplus doesn't change the underlying fundamentals of the financial challenges we face. That's why this budget continues to demonstrate sustained discipline on the spending side.

Total program expenditure in 2011-12 will be \$8.345 billion, as compared to an estimate of \$8.022 billion for 2010-11. The difference, \$323 million, is entirely accounted for by the re-insertion of \$327 million for university funding.

On this subject, I wish to remind the House that the previous government made two university payments in a single year, which distorted the true state of the province's finances. That left our government with one payment to make in two years, and 2010-11 was the year in which no payment was made. With the budget tabled today, we have brought an end to the previous government's poor practice, and re-instituted annual, accountable university funding, exactly as we said we would.



Allowing for the resumption of clear, accountable university funding, the budget for program spending for this year is unchanged from last year. This contrasts with spending growth averaging five per cent per year over the previous government's ten years in office. Our government will maintain expenses at 2011-12 levels over the medium term, while still making significant investments in new priorities.

More than half of the Nova Scotia government's expenditures are payments to third parties like universities, school boards and district health authorities. We want to congratulate our partners for their willingness to work with us, to ensure that the government truly lives within its means. Everybody is being asked to contribute to getting back to balance, but each in a way and at a pace that makes sense for them and the people they serve.

At the same time that we are demonstrating sustained discipline on the spending side, we continue to have challenges on the revenue side. For example, revenue from federal sources is forecast to be down \$175 million this year compared to last, and revenue from petroleum royalties is estimated to be down \$63 million this year compared to last. Total revenue is \$8.524 billion, compared to \$8.391 last year. With the re-insertion of university funding, the growth in revenue does not match the growth in expenditure.

In last year's "Back to Balance" plan, we forecast the deficit for 2011-12 would be \$370.0 million. In this budget, the deficit is forecast to be \$389.6 million, which is almost exactly where we expected to be when we laid out our four-year "Back to Balance" plan last year.

Living within our means, and the restraint that it implies, is of course only one side of the story. Sound finances matter because they allow us to deliver important public services to



Nova Scotians, services like health and wellness, education, income assistance, and transportation.

Providing Better Health Care for you and your Family

This government promised better health-care to Nova Scotians, their families and their communities, and that is exactly what this budget supports. In fact, it is a key focus of this government, and this budget.

The Better Care Sooner plan is this government's plan to improve emergency health-care in Nova Scotia. A central theme of this budget is to support the many Better Care Sooner initiatives that have already started, or will be starting in this new fiscal year.

Nous avons un plan qui vise à améliorer les soins de santé d'urgence en Nouvelle-Écosse. Un thème principal du présent budget est l'appui aux nombreuses initiatives de ce plan, qui ont déjà été entamées ou qui le seront au cours de ce nouvel exercice financier.

Better Care Sooner keeps emergency rooms open and delivers faster, better care to Nova Scotians. Chronic emergency room closures became a regular feature of life under previous governments. This government, and this budget, changes that.

Our emergency protection fund will be used to keep emergency rooms open, and to support Collaborative Emergency Centres.

We will soon open at least four Collaborative Emergency Centres in smaller communities around the province. These centres stream patients to special purpose areas to get appropriate care faster, matching services with the community's needs, 24 hours a day, seven days a week.

Better Care Sooner



Improving wait times

Lives are being saved because highly-trained and skilled paramedics can administer life saving drugs and procedures to their patients before they arrive at hospital.

This budget allocates \$2.6 million to begin the replacement of the emergency room at the Aberdeen Hospital in New Glasgow, fulfilling a longstanding request to improve patient flow and care. This will be very welcome news for the people of Pictou County.

This budget supports measures to improve wait times.

This budget provides \$616,000 to support pre-hab teams in four locations, resulting in faster recovery times and improved outcomes for patients receiving knee and hip surgeries. The Capital District's pre-hab clinic has significantly cut the wait time for patients to get their first appointment with an orthopedic surgeon, in many cases going from one year to the national average of 90 days.

The province's 811 nurse line provides reliable health-care advice at home. This initiative is already an outstanding success. In this budget, we are allocating another \$466,000 to handle the increased demand.

Nova Scotia will be the first province in Canada to develop and implement emergency-room standards, and as promised, accountability for emergency departments rests with the Minister of Health and Wellness.

Ensuring our skilled health professionals work to their full scope of practice makes sense for the system, and more importantly, for the patient. That's one of the reasons this budget provides \$1.5 million to place additional nurse-practitioners across the system.

As promised, \$2.2 million will add additional assessment beds and keep the Cobequid Community Health Centre emergency room open longer.

This budget allocates another \$482,000 to a rapid assessment unit at the Halifax Infirmary, which has already resulted in shorter wait times and better patient flow. In fact, in just six months, almost 1,200 patients have benefitted from this \$2 million initiative.

A new drug management policy unit will soon be operational. As well, our government's plan for fair drug prices is expected to save up to \$8 million this year.

This budget allocates \$4.4 million so that more than 800 Nova Scotians benefit from Lucentis.

And, we're spending \$500,000 to address acute and chronic diseases, keeping Nova Scotians healthier over the long term. In this budget, we also support the introduction of a plan to reduce childhood obesity, and a renewed effort to reduce tobacco use.

It was this Premier, and this party, that successfully fought to end the injustice of having seniors in long-term care facilities pay for their own health care. Today, we are putting in place additional measures that make life better for seniors.

Now, nursing home residents are being treated on site by both nurse-practitioners and paramedics, saving the stress of a hospital visit. We are hiring four nurse-practitioners to augment care in nursing homes at a cost of \$568,000. An additional \$21 million will open new nursing home beds this year.

We are fulfilling our commitment and allocating \$1.8 million to expand the Caregiver Benefit Program, helping seniors to remain at home in the communities they helped to build.

Healthier Nova Scotians



These changes use health care teams more effectively, which means tax dollars are being spent more efficiently at the same time as health outcomes are being improved.

Creating good jobs and growing the economy

Changing the way we deliver services is critical. We have also taken on the challenge of creating good jobs and growing the economy.

Previous governments have invested millions and millions of dollars in projects, ventures, businesses old and new, trying to spur economic growth and create jobs. Yet, averaged over the past 20 years, Nova Scotia's economic growth has been lower than any province in Canada.

To continue along the same path expecting a different outcome would be foolhardy. So we won't. We have a better plan, and it's called jobsHere. This is our economic development plan. Another key focus of this budget is to support the jobsHere plan.

jobsHere

The jobsHere plan is strategic and focused, and has three key priorities: learning; innovation; and competitiveness.

With a re-allocation of existing funds, and a new allocation in this budget, we will invest more than \$200 million to make jobsHere happen. One of the flagship programs is the Productivity Investment Program, with an annual estimated value of \$25 million. It will provide incentives for businesses to become more productive by supporting investments in capital, innovation and employee skills.



Nous investirons plus que 200 millions de dollars pour assurer la mise en œuvre du plan « des emplois ICI ». L'un des principaux programmes est le Programme d'investissement dans la productivité, d'une valeur annuelle estimée de 25 millions de dollars. Il offrira des incitations aux entreprises pour qu'elles deviennent plus productives en appuyant les investissements en capital, dans l'innovation et dans les compétences.

A new workforce strategy will help workers to build new skills, learn new technologies and maximize their career potential. The strategy will focus on building a workforce with the right skills for good jobs, now and in the future. It will support learning and continual skill renewal. It will also support those with barriers to employment overcome those barriers.

The province's workforce needs this kind of support to be ready for two major opportunities. The historic Lower Churchill agreement will not only mean clean, renewable energy to power our homes and businesses, but will offer our companies the opportunity to benefit directly from a transformational economic opportunity for the region.

This project is a game changer for Atlantic Canada. It lifts the notion of regional cooperation off the pages of vision documents and puts it into action. This project will have significant environmental benefits, including a projected reduction in greenhouse gas emissions by up to 1 megatonne. In fact, because of the certainty this project provides around firm back-up supplies of energy, we are now able to turn our goal of 40 per cent renewable electricity by 2020 into a legislated target. That will be one of the key outcomes of this session of the House.

Having skilled, trained workers will help to position Irving Shipbuilding to be successful in its pursuit of the National Shipbuilding Procurement Strategy, which will provide

*The right skills
for good jobs*



*Innovation
Prosperity*

high-value jobs for up to 4,000 people for 30 years with benefits extending from Sydney to Yarmouth. We will enthusiastically promote and champion this bid.

Nova Scotia's non-profit sector employs over 24,000 Nova Scotians, which helps to grow the economy and benefits communities in countless ways. This budget provides \$250,000 for training so their human resource needs can be better met.

The \$1.8 million strategic co-operative education incentive will double the opportunities available to students to receive valuable, hands-on work experience. Over the next three years, \$7.5 million will be invested to ensure more African Nova Scotians have the skills they need to enter the labour market.

Innovation builds prosperity. And jobsHere supports innovation.

Companies like RIM, Composites Atlantic and C-Vision demonstrate every day what innovation is all about. They prove we can compete, and succeed in global markets.

And innovation must become an increasing feature of Nova Scotia's export-oriented forest industry. This budget will invest \$5 million to promote innovation and diversification, in support of the new policy direction announced last December by this government.

Our government is also committing \$15 million for a new regional venture capital fund, which will be established within 18 months, fulfilling an important recommendation of the Savoie report. The fund will attract new capital, for companies who want to innovate and expand.

A \$2 million innovation and competitiveness fund will increase productivity and help companies bring new ideas to market in everything from digital media to our primary industries.

A new international commerce strategy, with a value of \$750,000, will help companies in every corner of the province build international capacity, strengthening access to markets and building networks.

jobsHere improves resources for employers and entrepreneurs, reduces red tape and offers one-stop service development programs.

More than \$30 million in loans have been approved under the Credit Union Loan Program to support ownership and succession planning for small business. More than \$1 million in new incentives will be offered through the Equity Tax Credit.

Our government was the first since 1992 to reduce the small business corporate tax rate. Last year's reduction from 5.0% to 4.5% put \$6 million back into the hands of the entrepreneurs that help drive the economy. Beginning in January of 2012, the small business tax rate will fall to 4.0%. These reductions mean up to \$4,000 in annual savings for small business owners.

In addition, the large corporations capital tax will continue to decline, and will be eliminated next year as scheduled.

Businesses will also benefit from two investments in digital strategies. A \$2.4 million investment will make it easier for business to access government's programs and services. As well, \$900,000 will build e-Nova Scotia which will harness the power of the Internet as a tool for innovation.

We continue to support our creative economy, with our film industry and digital media tax credits, which are, and will remain, among the most competitive in Canada.

Building capacity



Helping Nova Scotians Make Ends Meet

This budget also supports measures to help make life more affordable for Nova Scotians.

On this subject, let me begin by addressing the issue of affordability of a post-secondary education.

From 2004 to 2010, provincial funding for universities increased by 64 per cent, going from \$212 million to \$348 million. Clearly this rate of increase is not sustainable. A new funding arrangement is therefore necessary to ensure the government lives within its means, universities remain sustainable, and higher education remains accessible.

We have already announced this year's funding to universities, and that students are being protected by capping tuition increases at 3 per cent. This will maintain tuition levels for Nova Scotia students below the national average.

In his report on the university system, Dr. Tim O'Neill said that Nova Scotia has had the weakest student assistance system in the country.

We promised to fix that, and in this budget we will invest \$42.5 million to do just that. Because making post-secondary education more affordable is one of the most effective ways to support the jobsHere strategy, by helping young people gain the knowledge and skills they need to help grow the economy.

I am pleased to announce today a series of measures designed to achieve those objectives.

We will keep tuition below the national average by providing \$30 million in student bursaries to replace the expired Nova Scotia University Student Bursary Trust.

Accessible education



This provincially-funded commitment will continue to provide a tuition reduction of \$1,283 for Nova Scotia students studying in the province.

Most substantially, we will create the first “debt cap” in the province’s history. As a result of this initiative, students will see up to a 35 per cent reduction in total debt under the new \$28,560 maximum debt cap.

For students and parents, that means a drop of up to \$16,320 in the maximum amount of debt a student may carry.

The cap is comparable to those in other jurisdictions and will be a powerful incentive to graduates to stay and build a life in Nova Scotia, in addition to the \$15,000 graduate retention rebate for university graduates, and the \$7,500 rebate for community college graduates.

We recognize that non-repayable assistance is a key factor in accessibility, which is why students accessing provincial loans will now receive up to \$612 a year in additional grants, through an increase in the loan-to-grant ratio from 20 to 30 per cent.

Recognizing that many students need to work part-time during their studies, we will double the in-study earnings exemption on student loans, from \$50 to \$100 a week. And, we will increase the amount allowed for the purchase of books by 50 per cent, from \$1,000 to \$1,500.

Taken together, there will be more provincial funding within the post-secondary sector this year than there was last year. We believe this package of measures will keep our universities and our Nova Scotia Community College strong and vibrant contributors to our communities and our future.



Making life affordable

Making life more affordable is important for all Nova Scotians, especially those who are having difficulty making ends meet.

Our plan will help. In fact, it already has.

As a result of decisions this government has made, Nova Scotians don't pay provincial tax on home energy, children's clothing and footwear, on diapers and on feminine hygiene products.

We put in place the Affordable Living Tax Credit and the Poverty Reduction Tax Credit, and under the leadership of this Premier, we ensured that seniors receiving the Guaranteed Income Supplement will receive a full refund of any provincial income tax they pay. We also increased the seniors property tax credit.

In this budget, we go even further. We're taking more steps to make life affordable for Nova Scotians. This year, the basic personal exemption will increase by \$250. Non-refundable tax credits for eligible taxpayers will rise by a proportional amount. Taken together, these measures represent a tax reduction of \$11 million.

Families in every region of the province are benefitting from the \$128 million spent on affordable housing. We will also take steps to address homelessness.

And, we are introducing even more measures that will help families make ends meet. Both the Affordable Living Tax Credit and the Poverty Reduction Tax Credit will be indexed to keep pace with inflation.

On July 1st, we will be providing further help for more than 31,000 Nova Scotians in greatest need. The budget provides \$4.2 million to increase the personal allowance for people receiving income support.



This year, we will implement new income eligibility guidelines for the Direct Family Support for children so more families can qualify. We will also make strategic investments to support families with autistic children.

Also beginning July 1st, income assistance recipients will be able to keep more of their income. This \$3.7 million annual investment will help about 3,000 Nova Scotians, providing a greater incentive to join and remain in the workforce.

Additional changes are coming that will help Nova Scotians make ends meet. Later this week, our Premier will provide the details of a new \$11 million investment that will make life better for families, for persons with disabilities and for children.

This budget also provides \$585,000 to support the creation of 2-1-1 Nova Scotia, in partnership with the United Way. This system will make information more accessible, providing a single access point to a full range of community and government services. We will be among the first in Canada to offer this service province-wide.

Building for the Future

Last fall, we released our plan for capital spending for 2011–12. It was the first time the capital plan was released in advance of the spring budget. The early release increases transparency and helps the private sector better prepare for upcoming projects. This year, \$560 million will go to build roads and bridges, schools, health-care facilities, housing and more.

I am pleased to confirm today that the capital expenditure incorporated into this budget is essentially identical to the plan released last November. The envelope for capital spending in 2011–12 remains at \$560 million.



Our plan includes \$83.6 million for schools construction and renovations, including the construction of new schools in Bedford, Lunenburg and Yarmouth.

Our plan also includes \$3.2 million for ambulances and \$5.8 million for school buses.

There is also a budgetary allocation of \$15 million for the dredging of Sydney Harbour, and \$7.1 million to continue with restorations to the Bluenose II.

Conclusion: Making Life Better While Living Within Our Means

Previous governments put Nova Scotia on an unsustainable path to a \$1.4 billion deficit and \$16 billion in debt. In contrast, our four-year Back to Balance plan ensures we can deliver programs that make life better for families while living within our means.

And, like our Back to Balance plan, this budget reflects the values and priorities of Nova Scotians. That is why we will succeed.

There are no magic wands, no silver bullets, no quick fixes, on the path back to balance. There is only a good plan, hard work and sustained discipline.

Nothing good can happen if the province's finances don't make sense; and the finances we inherited from the previous government did not make sense. If we stick to the plan, and the province's finances continue to improve, then more good things can happen.

This government is always looking ahead, to where Nova Scotians want to be when the recession is finally behind us and the province is once again on a sound financial footing.



That's why this budget is committed to the Better Care Sooner plan, and a health care system that promotes wellness, offers the care that people need, all within a financial envelope that we can afford.

That's why this budget is committed to the jobsHere plan, which will marshal the resources of government to support learning, innovation and competitiveness, and by doing so create good, sustainable jobs.

That's why this budget is committed to helping people make ends meet, in order to make life better for families, wherever they may live.

And that is what this budget delivers.

